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SUPPLEMENT TO  
REPORT NO.

1. On the occasion of a meeting of the heads of all zonal socialized plants (VVB), held in Berlin on 31 January 1949, Fritz Selbmann, deputy chairman of the German Economic Commission, discussed the future economic policy of the present régime in the Soviet zone of Germany. His speech centered around the following two main points:

In order to develop the socialized concerns into a profitable industry, he said, it is absolutely necessary to reduce production costs. The goal for 1949 is a reduction of running expenses by seven percent. This reduction is to be achieved through a centralization of production and through the utilization to the fullest of all plant facilities.

The increase in production in socialized plants will be achieved through the elimination of private concerns, which will not be considered in future planning. This means that raw materials and necessary by-products will go to socialized plants only. Private industries will be advised to fend for themselves; they may, however, act as sub-contractors for the socialized plants and manufacture certain products or parts, in which case they will be furnished the necessary raw materials.

According to Selbmann, it is not planned to seize additional plants for the purpose of socialization.\*

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**Comment.** The new policy is generally considered to make it impossible for private industry to streamline its production or to utilize its plant facilities to their full advantage. It is feared that this failure might serve the administration as a pretext for accusing private industry of lacking initiative or of sabotaging the economic program -- a charge which would lead them to seize the plants in question and to hold them in trusteeship.

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